



LAW ENFORCEMENT
THE AIR FORCE



087425



REPORT TO THE CONGRESS

Savings Attainable By Preventing Condemnation Of Economically Repairable Equipment 8-146874

Department of the Air Force

*BY THE COMPTROLLER **GENERAL**
OF THE UNITED STATES*

OCT. 23, 1966

770392 | 087425



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B- 146874

To the President of the Senate and the
Speaker of the House of Representatives

This is our report on savings attainable by preventing
condemnation of economically repairable equipment by the
Department of the Air Force.

Copies of this report are being **sent** to the Director,
Bureau of the Budget; the Secretary of Defense; the Secre-
tary of **the Air** Force; and the Commander, Air Force
Logistics Command.

A handwritten signature in black ink, reading "James B. Axtell". The signature is written in a cursive style with a large, stylized initial "J".

Comptroller General
of the United States

COMPTROLLER GENERAL'S
REPORT TO THE CONGRESS

SAVINGS ATTAINABLE BY PREVENTING
CONDEMNATION OF ECONOMICALLY REPAIRABLE
EQUIPMENT BY THE DEPARTMENT OF THE AIR
FORCE B-146874

D I G E S T

WHY THE REVIEW WAS MADE

During a previous survey, the General Accounting Office (GAO) found that spare parts—pumps, filter elements, cylinders, generators, valves, etc.--repairable at the depot level were being scrapped at several Air Force bases.

This led to the present review to evaluate the adequacy and effectiveness of Air Force policies and procedures governing disposition of repairable spare parts.

This review was carried out at Scott Air Force Base, Illinois; Perrin Air Force Base and Randolph Air Force Base, Texas; Nellis Air Force Base, Nevada; Mountain Home Air Force Base, Idaho; and Air Material Areas in Oklahoma, Texas, and Utah.

FINDINGS AND CONCLUSIONS

Air Force policy is to repair parts such as those listed above in lieu of buying new ones if the cost is less than 65 percent of replacement cost. Otherwise, Air Force bases are permitted to scrap the parts. (See p. 5.)

During a 6-month period in 1967, Air Force bases condemned and disposed of unserviceable parts, designated as depot repairable, valued originally at \$6.7 million. GAO selected 78 items from the scrap yards of 5 Air Force bases and found that 51 (65.4%) could have been repaired for amounts significantly less than replacement costs.

For example:

--A pump, valued at \$346, could have been repaired for \$132.08.
(For details and photograph, see p. 8.)

--A valve, valued at \$135, could have been repaired for \$53.78.
(For details, see p. 12.)

--An actuator, valued at \$644, could have been repaired for \$64.
(For details and photograph, see p. 11.)

Tear Sheet

OCT. 20, 1968

Other examples are cited on pages 9 and 10.

Supplies of many of these items were limited. In some cases, purchase actions had been initiated.

Although the number of items selected was necessarily limited by the types and number on hand in the scrap yards at the time of our review, we believe that the items selected are reasonably representative of the items condemned at the five bases during the test periods.

The primary reason for the improper condemnation of economically repairable parts is that maintenance personnel at the bases do not have adequate knowledge of depot repair costs, procedures, and capabilities upon which to base their determination as to repairability.

RECOMMENDATIONS OR ST

GAO proposed that the Air Force revise its regulations to require bases to return all items to depot for repair activities unless bases have been advised that items are: (1) not needed in Air Force stock, or (2) obvious for disposal or authorized for disposal under Air Force policy.

AGENCY ACTIONS

The Air Force advised that analyses of Air Force maintenance management data indicated that the magnitude of improper base condemnations did not warrant instructing bases to return all these items to specialized repair activities. However, they advised that certain revisions are being made to existing regulations to require (1) the reporting of cost data to, and approval of cost data by, the system or item manager prior to condemnation of items by the bases and (2) a review board at each base to maintain surveillance over condemnations based on cost criteria, (See p. 14.)

ISSUES FOR FURTHER CONSIDERATION

GAO urges the Air Force to reconsider its position because GAO believes that the specialized repair activities at the depots are the only organizations qualified to estimate the costs to repair items for which they are responsible.

In this regard, on August 21, 1968, responsible Air Force officials indicated that a program was being initiated to ship selected items back to a depot for purposes of determining their repairability. The selection of these items will be based upon a dollar value criterion.

LEGISLATIVE PROPOSALS

None.

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None.

INTRODUCTION

The General Accounting Office has reviewed Department of the Air Force policies and procedures covering determinations by base maintenance personnel as to whether unserviceable items that cannot be repaired at Air Force bases should be scrapped or returned to depots. We made the review pursuant to the Budget and Accounting Act, 1921 (31 U.S.C. 53), and the Accounting and Auditing Act of 1950 (31 U.S.C. 67),

Our review was directed to policies and procedures covering items, identified in Air Force manuals as repairable at Air Force depots, which could not be repaired at base level. To test the adequacy of these policies and procedures, we reviewed maintenance and supply management records at selected bases and depots, obtained items that base maintenance personnel had scrapped, and requested appropriate repair activities to examine the items and determine the estimated cost of repairing them. We did not make a complete review of the Air Force supply and maintenance functions.

The bases included in our review were: Scott Air Force Base, Illinois; Perrin Air Force Base, Texas; Randolph Air Force Base, Texas; Nellis Air Force Base, Nevada; and Mountain Home Air Force Base, Idaho. The repair activities were located at: Oklahoma City Air Materiel Area (OCAMA); San Antonio Air Materiel Area (SAAMA); and Ogden Air Materiel Area (OOAMA),

The principal officials of the Department of Defense and the Department of the Air Force responsible for administration of the activities discussed in this report are listed in appendix I.

BACKGROUND

Logistics management of Air Force equipment and related spare parts is the responsibility of the five Air Materiel Areas (AMAs) of the Air Force Logistics Command (AFLC). This responsibility includes the determination of requirements for, and procurement, storage, issue, redistribution, and repair of, spare parts needed to support Air Force equipment.

The Air Force has determined that many unserviceable parts can be economically repaired, and the Air Force policy is to repair such parts if repair costs do not exceed 65 percent of the cost of a new item. Each of the five AMAs is also designated as a specialized repair activity (SRA) and is responsible for depot level repair of assigned equipment and spare parts.

There are about 200 Air Force bases throughout the **world**; but they have only limited ability to make repairs; and many parts, because of their complexity, require the use of expensive special tools or test equipment. To avoid scrapping these parts, the Air Force has authorized repairs by the SRAs at the five AMAs and by designated contractors. Items subject to repair by the SRAs are so identified in Air Force manuals and catalogs and are subjected to relatively intensive management by the AMAs because of their cost and/or the need for them in support of the various weapons systems.

AFLC officials advised us that the Air Force inventory of depot level repairable items, as of June 30, 1967, was about 76,600 line items valued at about \$5 billion.

FINDINGS AND RECOMMENDATION

SAVINGS ATTAINABLE BY PREVENTING CONDEMNATION OF ECONOMICALLY REPAIRABLE EQUIPMENT

We believe that the Air Force could realize significant savings by revising its procedure to preclude condemnations at base level of unserviceable items which could be economically repaired at depots.

Air Force regulations provide for the return of certain unserviceable items to responsible SRAs if they cannot be repaired at base level. However, the regulations permit the bases to condemn the items as scrap if (1) they are beyond repair, (2) repair costs exceed 65 percent of new item cost, or (3) their condemnation is specified by applicable technical orders. Supply management officials at the AMA's are also responsible for notifying the bases as to the items which should not be returned to SRAs because they are not needed elsewhere in the supply system.

During 6 months of 1967, Air Force bases condemned about \$6.7 million worth of items designated for repair at depots being managed by the three AMAs included in our review. On the basis of our review, we believe that a substantial portion of these items were condemned because repair costs had been determined to be excessive in relation to the costs of new parts. We tested 78 items that had been condemned at five bases and found that 51 of the items could have been repaired at the SRAs for amounts significantly less than acquisition cost. We found also that requirements existed for many of the condemned items and, in some cases, action had been taken to procure additional items.

Our review showed that the primary reason for improper condemnation of economically repairable items was that maintenance personnel at the bases did not have adequate knowledge of depot repair costs, procedures, and capabilities upon which to base their determinations.

Tests of items scrapped by bases

At five selected bases, the records indicated that, during the 2- to 4-month periods preceding our visits, items valued at about \$108,700 had been condemned. Of that amount about \$92,600 worth were condemned on the basis that repairs would not be economical. AMA records also showed that there were current Air Force requirements for about 75 percent of the items condemned on this basis. (See app. II for details.)

To ascertain if items that were economically repairable were being condemned, we selected a number of items from the base scrap yards. Although the number of items selected was necessarily limited by the types and number on hand in the scrap yards at the time of our review, we believe that the items selected are reasonably representative of the items condemned at the five bases during the test periods.

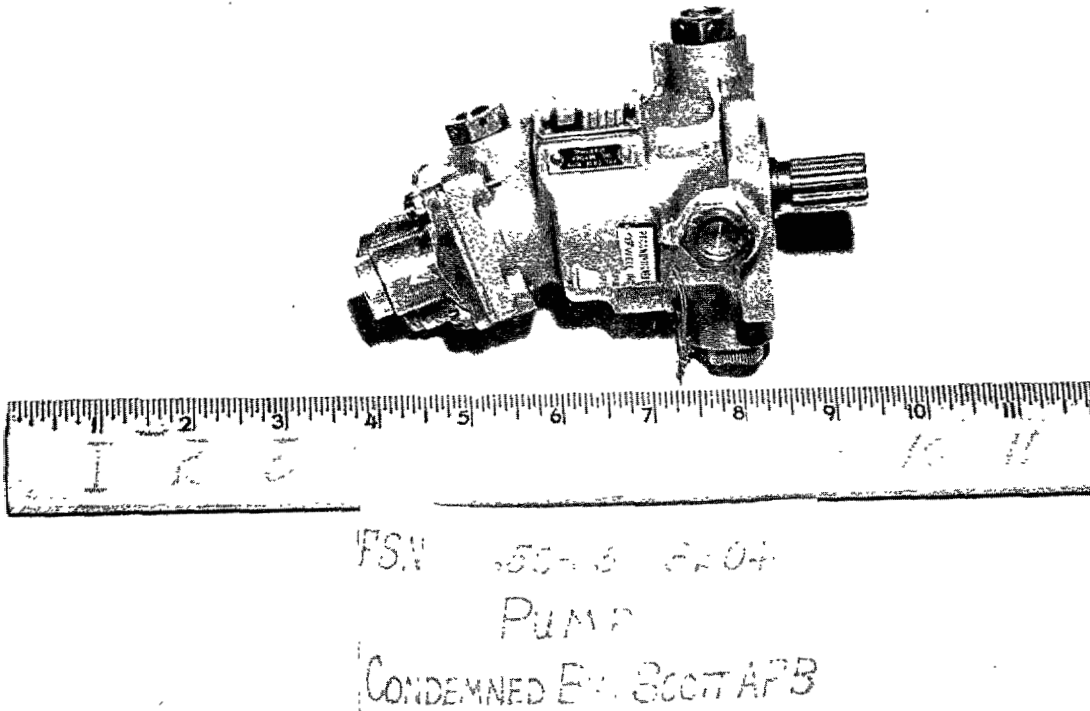
We obtained 78 items at the five bases and requested responsible technicians at the SRAs to examine them to determine whether they were economically repairable and to provide us with estimates of repair costs for each part. These items, which were valued at \$21,635, included \$13,159 worth that were economically repairable, according to SRA technicians. This amount exceeded estimated repair and other costs--exclusive of transportation--by \$9,401, or 43.5 percent of the value of the total tested. In our opinion, the transportation cost involved in shipping repairable items back to the SRAs would be small in relation to the value of items recovered.

On the basis of our findings, we believe that items representing about 75 percent of the total value of repairable items condemned during the test periods, included parts that could have been repaired at a savings equal to about 44 percent of their cost. (See app. II.) We believe also that this estimate is conservative because repair costs for many of the items have been increased as a result of cannibalization and rough handling at base level. For example, the repair costs for a valve (FSN 1650-572-4527) included \$25 for five missing parts that the base apparently removed

when the item **was** scrapped. **Also**, documentation prepared by depot personnel **who** examined a **switch** assembly (FSN 6615-712-4412), showed that the repair cost was above normal due to apparent improper removal **from** the aircraft.

Our findings with respect to each of the 78 items obtained from scrap yards at the five bases are summarized in appendix III. Our findings on selected examples, are described in greater detail beginning **on** the **following** page.

Examples of items condemned
at Air Force bases



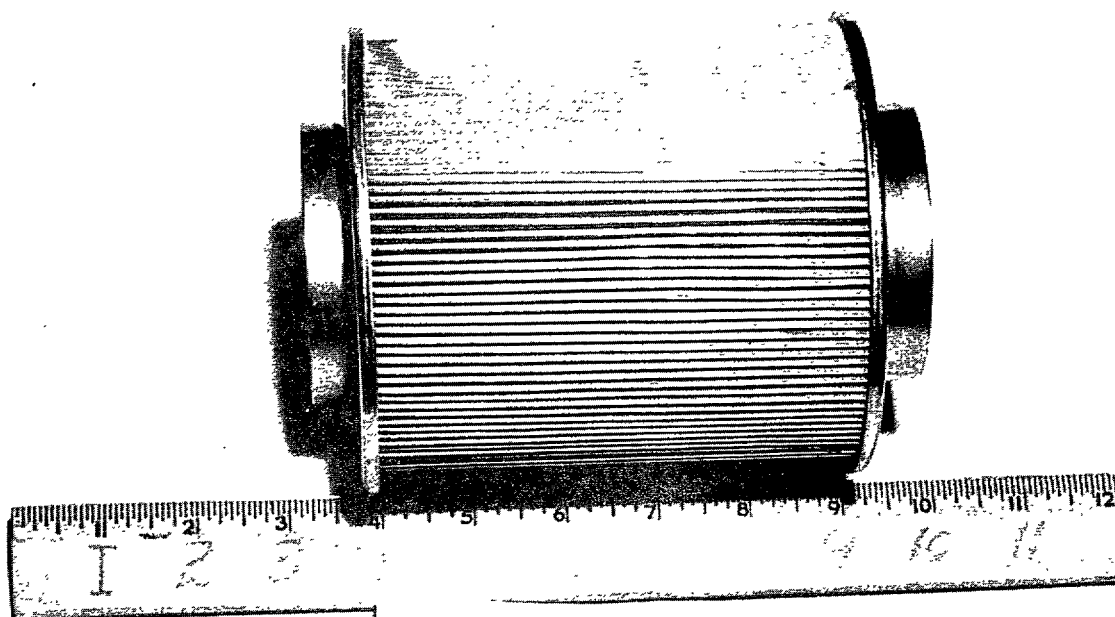
This **pump**, valued at \$346, was condemned by Scott Air Force Base maintenance personnel because, in their opinion, the costs necessary to repair it would exceed 65 percent of the unit price. We obtained this pump from the base scrap bins and requested that the OCAMA SRA perform tests necessary to determine its condition.

Maintenance personnel at OCAMA tested the pump and stated that it would have been repaired had it been returned. The estimated repair cost at OCAMA, including all parts, labor, and overhead, was \$132.08, or about 38 percent of the unit price of \$346.

The equipment specialist responsible for this pump stated that, in his opinion, personnel at field maintenance activities could not perform complete overhauls for this item and, therefore, were not capable of determining the overhaul costs with any degree of accuracy. He stated that

field maintenance activities should not condemn this item unless it was totally beyond repair.

We also examined appropriate supply records at OCAMA and found this pump to be in critical short supply in the Air Force. One of the principal reasons for the unfilled orders was that unserviceable pumps were not being returned to the depot for overhaul.



FSN 2915-883-3055 PL

FILTER ELEMENT

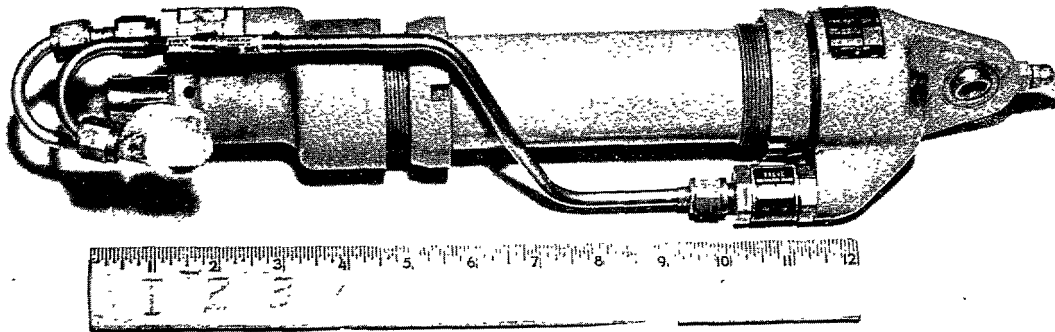
CONDEMNED BY: MT. HOME AFB

This filter element, valued at \$200.90, was condemned by Mountain Home Air Force Base maintenance personnel on the basis that costs to repair it would exceed 65 percent of its cost. We obtained this element from the scrap yards at the base and requested that the OCAMA SRA perform tests necessary to determine the item's condition.

Maintenance personnel at OCAMA examined the element and stated that it could be patched and cleaned in

accordance with existing instructions. The estimated repair cost including material, labor, and overhead was \$5.25, or about 3 percent of the unit price of \$200.90,

Our examination of supply records at OCAMA disclosed that the depot had unfilled orders for the filter element and that quantities were then being purchased.

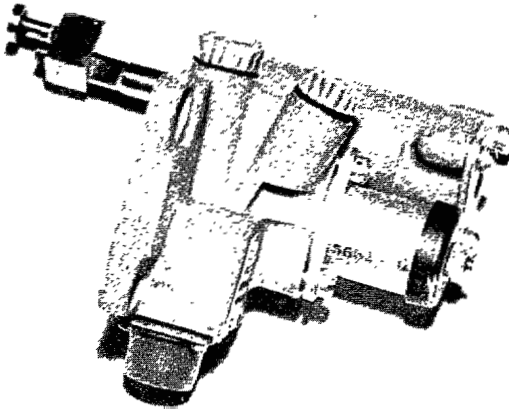


FS: 150-111-1
100-111-1
100-111-1-100-111-1

This cylinder assembly, valued at \$659, was condemned by maintenance personnel at Randolph Air Force Base because, in their opinion, the estimated repair costs exceeded 65 percent of the item's unit price.

Maintenance personnel at OCAMA tested the cylinder and stated that it would have been repaired if the base had returned it. They estimated the total repair cost including labor, parts, and overhead, at \$157.75, or about 24 percent of the item's cost. An equipment specialist at OCAMA stated, during an interview, that this cylinder could usually be repaired at base level.

We examined supply records for this cylinder and found that OCAMA was preparing to procure additional cylinders.



This actuator, valued at **\$644**, was condemned by Nellis Air Force Base maintenance personnel on the basis that costs to repair it would exceed **65** percent of its unit price. We contacted responsible maintenance personnel at Nellis. They stated that they did not have the equipment necessary to test this item and that it should have been returned to the depot for repair.

We obtained this actuator from the scrap yards at Nellis and requested that OCAMA perform the tests necessary to determine the item's condition. Maintenance personnel at OCAMA tested this actuator and stated that it would have been repaired had it been returned. The estimated repair cost at OCAMA including all parts, labor, and overhead was **\$64**, or 9.9 percent of the actuator's unit price of **\$644**.

Our examination of supply records at OCAMA disclosed that the depot had requirements for the actuator.

Regulator valve (FSN 1650-671-0720)

A valve, valued at \$135, was condemned by Perrin Air Force Base maintenance personnel on the basis that costs to repair it would exceed 65 percent of the unit price. We contacted the supervisor in the shop responsible for repairing this item, and he stated that it was condemned because it was corroded beyond repair.

We requested that the SRA at OCAMA perform such tests as necessary to determine the valve's condition. Maintenance personnel stated that it could have been repaired had it been returned. OCAMA's estimate of repair cost including all parts, labor, and overhead was **\$53.78**, or about 40 percent of the valve's cost of \$135.

We examined appropriate supply records at OCAMA and found that there were current requirements for this valve.

Bases not in position to reliably
determine cost of repairs at depots

Although base maintenance activities furnish monthly maintenance summaries to management officials, the summaries do not show the volume of depot repairable items scrapped. Management officials, therefore, appeared to have no ready means of controlling this aspect of maintenance.

At the selected bases, we reviewed documents turning in excess and surplus items that the bases had condemned as scrap during 2- to 4-month periods preceding our visits. These records showed that, of about \$108,700 worth of items condemned, about \$92,600 worth, or 85 percent, were condemned on the basis that repair of the items was uneconomical because repair cost would exceed 65 percent of acquisition cost.

Although our tests indicated that the reason most often advanced by the bases for condemning such items was that the estimated repair costs would exceed 65 percent of the cost of a new item, we did not find a single instance in which base personnel had documented an estimate of repair cost and compared it with acquisition cost. Maintenance personnel at the bases told us that they usually made their decisions solely on the basis of visual inspections. However, information obtained from officials and technicians at the SRAs indicated that the bases were not in a position to determine reliable repair costs at the depots. We found that SRAs had special tools and test equipment that enabled them to make economical repairs which the bases were unable to accomplish.

Base maintenance personnel were apparently not fully informed as to the repair capabilities of the SRAs. We found instances where bases had condemned items as scrap because they were cracked or bent or because they were sealed units and were beyond the capability of base maintenance personnel to repair. We found, however, that the SRA's were equipped to straighten metals, weld cracks and cuts, and to repair sealed units. We found, for example, that they could straighten and patch screening material in filter elements that a base had condemned.

Extent of internal audit coverage

Representatives of the Air Force Auditor General located at four of the five bases included in our review informed us that, although they had performed audits of various aspects of field maintenance activities, they had not performed a review of condemnations of unserviceable items at the bases. Also, the audit staffs at these bases revealed no plans for future work in this area.

Agency comments and our evaluation

We discussed our findings with responsible officials of AFLC who agreed that a significant problem existed in the Air Force in controlling the return of repairable items to depots. They further agreed that the basic cause of the problem was probably the use, by base maintenance personnel, of the 65-percent cost criterion in determining whether or not unserviceable items were economically repairable. They indicated that careful consideration would be given to whether bases should be permitted to make these determinations and whether the regulations should be revised.

On April 10, 1968, we brought our findings to the attention of the Secretary of Defense and advised him of our conclusions that (1) having base maintenance personnel determine whether items could be economically repaired at the SRAs made these personnel responsible for estimating costs of repair at the depots without having adequate knowledge of depot costs, procedures, or capabilities and (2) the Air Force could realize substantial savings by revising its regulations to prevent base maintenance personnel from condemning these items on the basis that the cost to repair exceeds 65 percent of the acquisition cost.

We proposed that the Secretary of the Air Force have the applicable regulations revised to require bases to return appropriate items to the SRAs unless the bases have been advised that the items are not needed in Air Force stocks or are obviously beyond repair or that disposition of the items has been authorized in Air Force technical orders.

The Deputy for Supply and Maintenance, Department of the Air Force, commented on our findings and conclusions in a

letter dated June 5, 1968. (See app. IV.) He agreed that the Air Force could realize significant savings by revising regulations to preclude condemnations at the bases of un-serviceable items that could be economically repaired at depots. He stated further, however, that the cost criterion must be retained as a factor in determining whether such items should be returned to an SRA, in order to preclude unnecessary cost.

He advised us that analyses of Air Force maintenance management data in March and April of 1968 indicated that the magnitude of improper base condemnations did not warrant instructing bases to return all these items to SRAs. Changes are being made to Air Force Manual 67-1 to require the reporting of cost data to, and approval of cost data by, the system or item manager prior to condemnation of items by the bases, using the cost criterion factor. In addition, regulations are being changed to require a review board at each base to maintain surveillance over condemnations based on cost criteria to ensure the return of repairable items when there is any question as to their economic repairability.

We have reservations concerning the effectiveness of the actions taken by the Air Force. Our review indicated that the primary reason for improper condemnations was the fact that the bases did not have information available as to costs, procedures, and capabilities of SRAs to estimate repair costs.

In our opinion, the base review boards will have no more information available on which to make determinations as to economic repairability of items than was available in the past. Furthermore, the approval for condemnation by systems or item managers located at the AMAs will still be based on cost estimates determined at base level with inadequate information and will be of little if any benefit. These actions merely place the responsibility for determining condemnations at a higher level in the organization's structure and do not provide the data necessary to make sound determinations.

The need for retention of a cost criterion, as cited by the Air Force, apparently emanates from the belief that a substantial increase in costs would result if all items were returned to the SRAs, as we proposed. Our review disclosed

that, during a 6-month period, bases condemned about 20,000 items managed by three AMAs. We estimate that the cost to return all of these items to an SRA would have been about \$200,000, exclusive of transportation costs. Inasmuch as the 20,000 items were valued at about \$6.7 million, the costs involved would therefore be minimal in relation to the value of items which could probably be returned to a serviceable condition.

Recommendation

The actions being taken by the Air Force will not, in our opinion, prevent improper condemnations of repairable items by bases. We believe that, although a more thorough review of repair costs prior to condemnation would serve to reduce the improper condemnations, the SRAs should have the responsibility for determining whether items are economically repairable.

We therefore recommend that the Air Force reconsider our proposal to revise applicable regulations to require bases to return unserviceable items to the SRAs unless the bases have been advised that the items are not needed in Air Force stocks or the items are obviously beyond repair or that disposition of the items has been authorized by the Air Force. On August 21, 1968, responsible Air Force officials indicated that a program was being initiated to ship selected items back to repair facilities for the purpose of determining their repairability. The selection of these items will be based upon dollar value,

APPENDIXES

PRINCIPAL OFFICIALS OF
THE DEPARTMENT OF DEFENSE
AND THE DEPARTMENT OF THE AIR FORCE
RESPONSIBLE FOR ADMINISTRATION OF ACTIVITIES
DISCUSSED IN THIS REPORT

		<u>Tenure of office</u>	
		<u>From</u>	<u>To</u>
<u>DEPARTMENT OF DEFENSE</u>			
SECRETARY OF DEFENSE:			
Clark Clifford	Mar. 1968	Present	
Robert S. McNamara	Jan. 1961	Mar. 1968	
DEPUTY SECRETARY OF DEFENSE:			
Paul H. Nitze	July 1967	Present	
Cyrus R. Vance	Jan. 1964	June 1967	
ASSISTANT SECRETARY OF DEFENSE (INSTALLATIONS AND LOGISTICS) :			
Thomas D. Morris	Sept. 1967	Present	
Paul R. Ignatius	Dec. 1964	Aug. 1967	
<u>DEPARTMENT OF THE AIR FORCE</u>			
SECRETARY OF THE AIR FORCE:			
Dr. Harold Brown	Oct. 1965	Present	
Eugene M. Zuckert	Jan. 1961	Sept. 1965	
ASSISTANT SECRETARY OF THE AIR FORCE (INSTALLATIONS AND LOGISTICS) (Formerly Materiel) :			
Robert H. Charles	Nov. 1963	Present	

PRINCIPAL OFFICIALS OF
THE **DEPARTMENT** OF DEFENSE
AND THE **DEPARTMENT** OF THE AIR FORCE
RESPONSIBLE FOR ADMINISTRATION OF ACTIVITIES
DISCUSSED IN THIS REPORT (continued)

<u>Tenure of office</u>		
<u>From</u> <u>To</u>		
<u>DEPARTMENT OF THE AIR FORCE</u> (continued)		
COMMANDER, AIR FORCE LOGISTICS		
COMMAND (Created April 1, 1961, formerly Air Materiel Command) :		
Gen. Jack G. Merrell	Mar. 1968	Present
Gen. Thomas P. Gerrity	Aug. 1967	Feb. 1968
Gen. Kenneth B. Hobson	Aug. 1965	July 1967

SUMMARY OF TESTS				
ON ITEMS CONDEMNED AND SCRAPPED				
AT FIVE SELECTED AIR FORCE BASES				
Value of condemned items for which three selected depots had supply management responsibility				\$108,710
Items condemned for reasons other than repair costs				<u>16,065</u>
Items condemned as not economically repairable				92,645
Items not needed in Air Force stocks				<u>11,369</u>
Items needed in Air Force stocks but condemned as not economically repairable				\$ <u>81,276</u>
Percent of total condemnations				<u>74.8%</u>
	*	*	*	*
				*
Items obtained from base scrap yards for testing at the depots (See app. III.)				\$ 21,635
Items not economically repairable				<u>8,476</u>
Repair cost for items economically repairable			\$2,978	
Packing and handling costs for all items tested at \$10 per item (See note 1.)			<u>780</u>	<u>3,758</u>
Excess of item cost over costs of repair and shipping costs				\$ <u>9,401</u>
Percent of total tested at depot				<u>43.5%</u>
Ratio of potential savings to total base condemnations (74.8% X 43.5%)				<u>32.5%</u>

SUMMARY OF TESTS

ON ITEMS CONDEMNED AND SCRAPPED

AT FIVE SELECTED AIR FORCE BASES (continued)

Note 1: In connection with our report on Uneconomical Shipments of Military Parts and Other Material (B-133019, January 22, 1968), the Air Force furnished a standard cost of \$10, exclusive of transportation costs, for processing a shipment into and out of the OCAMA depot. We applied the \$10 to each item in our test under the assumption that each item would represent an individual shipment; however, in actual practice shipments may be consolidated. Therefore, we believe the \$10 per item to be an adequate estimate of the costs which would have been incurred had the 78 items been returned to the depot for repair,

APPENDIX III

RESULTS OF DEPOT TESTS OF ITEMS OBTAINED FROM SELECTED BASE SCRAP YARDS

FSN	Condemned by	Tested by	Value	Estimated repair cost	Percentage of repair cost to item value
*1630-366-6320	Nellis	OOAMA	\$ 407.30	\$ 179.20	43.99
6615-712-4412	do.	do.	400.00	107.54	26.89
*1630-702-0261	do.	do.	742.00	143.29	19.31
1620-625-2277	Perrin	do.	172.00	51.20	29.77
*1630-252-0268	Mountain Home	do.	187.00	49.81	26.64
1630-817-0911	Randolph	do.	317.00	Condemned (1)	
*2915-883-3055PL	Mountain Home	OCAMA	200.90	5.25	2.61
*2915-883-3055PL	do.	do.	200.90	5.25	2.61
*1650-131-7601	Nellis	do.	163.00	55.00	33.74
1650-766-7178	do.	do.	195.00	Condemned (1)	
1650-561-5167	do.	do.	106.00	53.45	50.42
*2935-600-8877	do.	do.	644.00	64.00	9.94
1650-203-9817	Scott	do.	175.00	Condemned (1)	
*1650-474-4512	do.	do.	105.00	21.71	20.68
1650-486-2432	do.	do.	175.00	30.68	17.53
1650-513-4911	do.	do.	315.00	Condemned (1)	
*1650-540-0116	do.	do.	445.00	259.00	58.20
1650-540-0115	do.	do.	804.00	Condemned (1)	
*2840-319-2691PJ	do.	do.	42.00	14.54	34.62
2840-319-2691PJ	do.	do.	42.00	Condemned (1)	
6615-348-2512	do.	do.	650.00	37.32	5.74
6615-371-0528	do.	do.	175.00	18.08	10.33
*6620-610-2943	do.	do.	154.00	40.50	26.30
2840-610-5248FJ	Perrin	do.	82.00	48.48	59.12
*1650-671-0720	do.	do.	135.00	53.78	39.84
1660-487-0280	do.	do.	59.00	Condemned (1)	
1650-602-1904	do.	do.	80.00	39.60	49.50
1650-572-4527	do.	do.	187.00	83.20	44.49
1650-692-8210	do.	do.	72.50	29.76	41.05
1650-692-8210	do.	do.	72.50	29.76	41.05
1650-914-0056	do.	do.	230.00	Condemned (1)	
2840-048-5534FJ	do.	do.	142.00	Condemned (1)	
2840-589-4075FH	do.	do.	495.00	22.11	4.47
*2935-309-1552	Randolph	do.	75.00	27.76	37.01
*1600-674-1601	do.	do.	94.00	28.25	30.05
1650-829-3457	do.	do.	122.00	Condemned (1)	
*1650-830-2263	do.	do.	659.00	157.75	23.94
*1650-691-2883	do.	do.	110.00	23.10	21.00
2840-780-3486FL	do.	do.	1,295.10	Condemned (1)	
2840-856-3488FL	do.	do.	813.00	Condemned (1)	
2840-856-3488FL	do.	do.	813.00	Condemned (1)	
*1650-555-1972	do.	do.	650.00	54.54	8.39
*1650-051-3204	Scott	do.	346.00	132.08	38.17
6685-728-4745	Mountain Home	SRAMA	300.00	32.41	10.80
1680-670-4131	Nellis	do.	669.00	45.24	6.76
*6115-665-0952UH	do.	do.	789.00	229.42	29.08
6125-635-8229	do.	do.	91.00	36.08	39.65
6125-392-7341	Perrin	do.	250.00	Condemned (1)	
6125-392-7341	do.	do.	250.00	Condemned (1)	
*6115-180-1261UH	do.	do.	295.00	136.27	46.19
6110-647-3932	Randolph	do.	110.00	Condemned (1)	
6115-533-5942UH	do.	do.	488.00	Condemned (1)	
6110-256-3150	do.	do.	35.00	21.10	60.29
6110-256-3150	do.	do.	35.00	22.70	64.86
*6685-954-7417	do.	do.	90.00	36.83	40.92
*6685-954-7417	do.	do.	90.00	36.83	40.92
6115-504-2972UH	do.	do.	315.00	Condemned (1)	
1680-716-9488	do.	do.	259.00	122.04	47.12
6105-950-6978	do.	do.	436.00	Condemned (1)	
1680-305-2904	Scott	do.	85.00	Condemned (1)	
1680-305-2904	do.	do.	85.00	Condemned (1)	
1680-305-2904	do.	do.	85.00	Condemned (1)	
1680-516-7376	do.	do.	78.00	Condemned (1)	
2925-233-5634	do.	do.	383.00	Condemned (1)	
6110-523-5418FV	do.	do.	71.00	Condemned (1)	
6125-328-0275	do.	do.	92.00	46.94	51.02
*6125-635-5470	do.	do.	90.00	35.16	39.07
5821-662-8557	do.	do.	411.00	32.02	7.79
6125-392-7341	do.	do.	250.00	36.26	14.50
6125-392-7341	do.	do.	250.00	36.26	14.50
6125-392-7341	do.	do.	250.00	35.46	14.18
6125-392-7341	do.	do.	250.00	36.00	14.40
6125-483-9750	do.	do.	312.00	Condemned (1)	
6125-635-5454	do.	do.	254.00	47.96	18.88
6125-392-7341	do.	do.	250.00	36.26	14.50
*6125-635-6315	do.	do.	206.00	35.24	17.11
6125-635-6315	do.	do.	206.00	Condemned (1)	
*6625-521-5243	do.	do.	176.00	15.25	8.66
Total			21,635.10		
51 items economically repairable (65.38%)			\$13,159.10	\$2,977.72	

*Indicates items for which requirements existed.

¹Condemned denotes not repairable from an economic standpoint or otherwise.

DEPARTMENT OF THE AIR FORCE
WASHINGTON 20330



OFFICE OF THE SECRETARY

JUN 5 1968

Dear Mr. Bailey:

This reply is on behalf of the Secretary of Defense in response to your **draft** report dated April 10, 1968, concerning the "Savings Attainable by Preventing Condemnation of Economically **Repairable** Equipment" (OSD Case #2755).

We concur with your finding **that** the Air Force could **realize** significant savings by revising **Its** regulations to preclude **base** level condemnations of **unserviceable** items that **can** be economically repaired at depots. However, the "cost criterion" must be **retained** as a **factor** in determining when **XD** items should not be returned to a specialized repair activity to preclude unnecessary cost.

The results of the analyses of AFM 66-1, "Maintenance Management," data by our air materiel areas during March and April of this year indicate that the magnitude of improper base condemnations does not warrant **changes** to require the bases to return all **of** these items to the specialized repair activities. These analyses of AFM 66-1 data **reveal that** base condemnations of XD items, while not **a** significant problem, do require additional management attention. To **this** end, AFM 67-1, "USAF Supply Manual," **is** being revised to require reporting of cost **data** to, and approval by, the System or Item Manager prior to base level condemnation **of** items on the basis of the *cost* criterion. In addition, we are changing AFM 66-27, "Base Self-Sufficiency Program," to **require** the Base Repairable Review Board to maintain surveillance over condemnations based on repair **cost** criteria to insure the return of repairable XD items to the appropriate overhaul facility whenever there is any **question** as to the economical repairability of the item. Applicable Technical Orders are also being changed to support *the* revisions to these directives.

Our revision of AFM 67-1 and AFR 66-27 will provide the necessary guidance to insure that reparable XD items are returned to the appropriate overhaul facility when there is any question as to the economical repairability of the item. The change to these directives will also preclude abandoning the economic criterion which is designed to eliminate the cost that would be incurred if items that cannot be repaired are returned to the depot. The target date for publication of these revisions is October 15, 1968. However, interim operating procedures will be disseminated as soon as possible.

Your effort in disclosing the significant savings that could be realized by revising our regulations to preclude base level condemnations of unserviceable items that can be economically repaired at depots and the opportunity afforded to comment on your report are appreciated.

Sincerely,



HUGH E. WITT

Deputy for Supply and Maintenance

Mr. C. M. Bailey
Acting Director, Defense Division
U. S. General Accounting Office